

Padavi Shri Pura Pradeshiya Sabha  
Trincomalee District

-----

1. Financial Statements

-----

1.1 Presentation of Financial Statements

-----

The Financial Statements for the year 2017 had been submitted for the audit on 27 April 2018 and the report of the Auditor General had been sent to the Chairman on 17 August 2018.

1.2 Qualified Opinion

-----

In my opinion except for the effect on the matters described in Paragraph 1.3 of this report, Financial Statements give a true and fair view of the financial position of the Padavi Shri Pura Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

-----

1.3.1 Accounting policies

-----

The Accounting Policies used in preparing the financial statements had not been disclosed with the financial statements.

1.3.2 Accounting deficiencies

-----

The following accounting deficiencies were observed.

- a. Although the council had constructed buildings valued at Rs. 7,397,636 within the current year, it was accounted in the financial statement as Rs.6,976,315 and as such assets were understated by an amount of Rs.421,321.
- b. Arrears of Trade License fees amounting to Rs.125,850 for the current had not been accounted.
- c. The bus valued at Rs.4,385,000 had been granted to the council by a Non-Government Organization had not been capitalized.
- d. The value of two tractors and a motor cycle owned by the council had not been assessed and capitalize a.

1.3.3 Non-compliance with Laws, Rules and Regulations

-----

Instances of non-compliance with Laws, Rules, Regulations and Management decisions are shown below.

Reference to Laws, Rules and Regulations  
-----

Non-compliance  
-----

- a. Series of Rules of the Pradeshiya Sabha (Finance and Administration) of 1988 published in the Gazette Extraordinary No. 554/5 of 17 April 1989  
Rules 141, 143 and 145

Action had not been taken to maintain a deposit register and record transactions, open separate accounts for each type of deposit and preparations of a detailed report on deposits at the end of the .

- b. The Public Administration Circular No. 30/2016 dated 29 December 2016

A check on fuel consumption of 9 vehicles owned by the council had not been done

2. Financial Review  
-----

2.1 Financial Result  
-----

According to the Financial Statements presented, Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2017 amounted to Rs. 321,380 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs. 7,598,815. As such a decrease of Rs. 7,277,435 in Financial results had been observed.

2.2 Income Administration  
-----

2.2.1 Estimated income, Actual income and Arrears of Income  
-----

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2017				2016			
	Estimated Income	Billed Income	Collected Income	Total Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	50	-	-	-	50	-	-	-
Rent	1,100	1,083	1,110	96	1,062	1,109	1,088	123
License fees	478	457	472	-	349	289	324	15
Miscellaneous Income	11,320	11,372	11,049	931	8,461	12,370	9,704	3,500

### 3. Operating Review

-----

#### 3.1 Performance

-----

Findings after the analyzing the activities that should be executed by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act, such as regularize and control Health of the General Public, Common Utility Services and Public Road Facilities and Maintenance of People's Prosperity, Welfare and Development are given below.

##### a. By Laws

-----

Although by laws should be enacted for 28 main activities according to Section 126 of Pradeshiya Sabha Act, such by laws had been enacted only for 13 activities up to 31 December 2017.

##### b. Action Plan

-----

An annual Action Plan for the year 2017 had not been prepared.

##### c. Environmental Problems

-----

Issuing Environmental License

-----

d. In terms of the provisions of Section 23A of the National Environmental Act No. 47 of 1980 as amended by Act No. 56 of 1988 and Act No. 53 of 2000, Environmental Protection License should be obtained for the implementation of enterprises such as paddy mills, carpentry, garage and cement allied manufacturing companies. However, 42 such enterprises operating in the area of authority are operating without obtaining license. The Council has not taken the necessary action to address the potential environmental problems.

##### e. Goals of Sustainable Development

-----

Although attention had been drawn to protect the environment as a goal of sustainable development by the Sabha, action had not been taken to identify a proper program and related criteria to carry out the tasks.

#### 3.2 Human Resource Management

-----

##### 3.2.1 Staff Vacancies

-----

Action had not been taken to fill the vacancies of posts of Technician, Librarian, Electrician and a Driver existing from 2014 even up to 13 June 2018.

### 3.3 Assets Management

-----

#### 3.3.1 Assets not Vested

-----

Buildings valued at Rs.109,659,700 had been built on lands belonging to the government up to 31 December 2017. Further, the Ministry of Local Government had provided the Council 03 vehicles under the Program of Providing Transport Facilities to Local Government Institution. Ownership of those Lands and Vehicles had not been vested.

#### 3.3.2 Idle and Underutilized Assets

-----

Details are as follows

- (a) Although a water sample testing kit and two water filters had been purchased by the council for an amount of Rs. 485,000 on 27 January 2015, due to the absence of an officer with proper technical knowledge to test water samples, the equipment kits were left idle since the date of purchase.
- (b) A cab which was granted by the Ministry of Local Government and Provincial Councils in 2006 had been parked in the garage since 2015 and action had not been taken to repair and use or to disposed even up to 13 June 2018.

#### 3.3.3 Annual Goods Survey

-----

Recommendations made by Board of Survey on the survey conducted on 29 May 2018 relating to the items to be repaired, destroyed or sold had not been followed even up to 13 June 2018.

### 3.4 Procurement

-----

#### 3.4.1 Procurement Plan

-----

A procurement plan for the year under review had not been prepared according to National Budget Circular No.128 dated 24 March 2006.

#### 3.4.2 Contract Administration

-----

The following observations are revealed in this regard.

- (a) A contract valued at Rs.1,287,804 had been awarded to a Community Organization on 09 October 2017 for the reconstruction of Lasanagama Drinking water Scheme with a well and a water pump under National Programme – 2017 of strengthening Pradeshiya Sabha the maintain of government and Provincial Council. The Community Based Organization had not finished four work items valued at Rs.287,822 even up to 12 June 2018 but the Council had sent a bill certifying that works had been duly completed to the Department of Local Government.

- (b) A contract valued at Rs. 3,061,716 had been awarded on 01 November 2017 for the improvement of Yaya 11 Drinking water Scheme under the National Program of Strengthening Pradeshiya Sabha - 2017 the Ministry of Local Government and Provincial Councils. According to 6.2.2 of the Procurement Guidelines, bidders should be given 21 days to submit their bids, but the Council had only given only 14 days. Also, according to 3.2.2 of the Procurement Guidelines, the bidding should give a broad publicity, but the council had only advertised within the authority area of the Council. As such only two bidders had submitted bids and the lowest bidder had submitted a bid with a value exceeding 15 per cent of the estimated value. As such there was a loss of Rs.398,930 when awarding the contract. therefore, purposes in the 1.2.1 (a) and (b) of the Procurement Guidelines were not met. Further, the contractor had not finished work valued at Rs.237,000 such as fixing an aluminum ladder, fixing taps, preparation and checking of the chlorine system even up to 13 June 2018. Although according to the contract, the work should be completed by 31 December 2017, the work was not completed even up to 12 June 2018. As such action had not been taken to collect the late fees amounting to Rs.251,064.
- (c) Although 2 contracts valued at Rs.1,805,858 had been signed on 09 October 2017 for construction under National Program of Strengthening Pradeshiya Sabha- 2017 of the Ministry of Local Government and Provincial Councils, the work was not started even up to 13 June 2018.

4. Accountability and Good Governance  
-----

4.1 Budgetary Control  
-----

A range of difference of 2 per cent to 100 per cent was observed between budgeted income and expenditure and the actual income and expenditure of the year under review indicating that the budget had not been used as a proper instrument of financial management.

5. Systems and Control  
-----

Special attention is drawn to the following areas of systems and control

System -----	Weakness -----
a. Accountability	Accounting of assets
b. Income Administration	Collection of arrears of income
c. Contract Management	i. Work to be done in according to the circular ii. Payment of contract taxes
d. Human Resource Management	Filling of Employee Vacancies